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DIRECTOR OF INSURANCE

REPORT OF

ASSOCIATION FINANCIAL EXAMINATION

FIRSTGUARD HEALTH PLAN, INC.

AS OF

DECEMBER 31, 2003

STATE OF MISSOURI

DEPARTMENT OF INSURANCE

JEFFERSON CITY, MISSOURI

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Kansas City, Missouri
October 28, 2004

Honorable Kevin M. McCarty, Commissioner
Office of Insurance Regulation
Florida Department of Insurance
Chairman, (E) Financial Condition Committee

Honorable Jorge Gomez, Commissioner
Wisconsin Department of Insurance
Midwestern Zone Secretary

Honorable Scott B. Lakin, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Gentleman:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

FirstGuard Health Plan, Inc.

hereinafter referred to as such, as the "Company" or as "FirstGuard". Its administrative office is located at 4001 Blue Parkway, Kansas City, Missouri 64130, telephone number 816-922-7250. This examination began on August 29, 2004, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope financial examination of FirstGuard Health Plan, Inc. was made as of December 31, 2000, by examiners from the State of Missouri, representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope financial examination covers the period from January 1, 2001, through December 31, 2003, and was conducted by examiners from the State of Missouri, with no other states participating.

This examination also included the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance (MDI) and statutes of the State of Missouri prevailed.

The examiners relied upon information supplied by the Company's independent auditor, PricewaterhouseCoopers LLP, of St. Louis, Missouri, for its audit period covering January 1, 2003, through December 31, 2003. Information relied upon included, but was not limited to, narrative descriptions of processes and controls, tests of controls and analysis of fraud and abuse risk factors.

Comments-Previous Examination

Listed below are comments and recommendations of the previous examination report dated as of December 31, 2000, and the subsequent response or action taken by the Company.

Capital Stock

Comment: The Company was directed to amend its Articles of Incorporation to indicate a par value amount of more than zero on its "Class B Stock" to be in compliance with RSMo. 375.198 (Issuance of shares; classification; preferred shares) which stipulates all classes of a company's stock must have a minimum par value of one dollar.

Company's Response: The Company agreed to amend its Articles of Incorporation to indicate a minimum of one dollar par value per share for its "Class B Stock".

Current Findings: The Company amended its Articles of Incorporation effective March 14, 2001, to assign a par value of one dollar per share for its "Class B Stock".

Conflict of Interest

Comment: The Company was directed to ensure that all members of the board of directors complete a conflict of interest statement annually.

Company's Response: The Company agreed to comply with this recommendation.

Current Findings: The board of directors and officers of the Company completed conflict of interest statements for each of the years under examination.

Fidelity Bond

Comment: The Company was directed to increase its fidelity bond coverage to a minimum of $900,000 to meet the minimum amount of fidelity insurance suggested by NAIC guidelines.

Company's Response: The Company agreed to increase it fidelity bond coverage to $1,000,000.

Current Findings: The Company is a named insured on a fidelity bond in the amount of $1,000,000. The coverage amount of the bond complies with the minimum of fidelity coverage suggested by NAIC guidelines.

HISTORY

General

FirstGuard Health Plan, Inc. was organized under the general corporation business laws of the State of Missouri on October 3, 1994, under the name "LifeGuard Health Plan, Inc." The name was changed to FirstGuard Health Plan, Inc. per an amendment to the Company's Articles of Incorporation that was approved by the Missouri Secretary of State on April 6, 1995. A Certificate of Authority to operate as a Health Maintenance

Organization (HMO) under Chapter 354, RSMo. (Health Service Corporations – Health Maintenance Organizations – Prepaid Dental Plans) was issued by the Missouri Department of Insurance on March 21, 1995.

FirstGuard operates as a for-profit HMO and as of December 31, 2003, was wholly owned by Model Cities Health Corporation of Kansas City d/b/a Swope Parkway Health Center, Inc. (SPHC).

Capital Stock

As of December 31, 2003, FirstGuard was 100% owned by SPHC. The Company is authorized to issue 600,000 shares of common stock, of which 400,000 shares shall be voting common stock, with a par value of $10 per share and is designated as "Class A Stock". The remaining 200,000 shares are classified as non-voting common stock with a par value of one dollar per share and designated as "Class B Stock". As of December 31, 2003, 360,000 shares of the "Class A Stock" were issued and outstanding resulting in a capital stock account balance of $3,600,000.

Dividends

The Company has not paid any dividends since inception.

Management

The management of the Company is vested in a board of directors elected by the sole shareholder. The directors of FirstGuard elected and serving as of December 31, 2003, were as follows:

Name and Address	Business Affiliation
E. Frank Ellis Kansas City, Missouri	Chairman Swope Parkway Health Center
William Washington Kansas City, Missouri	Retired Sprint Corporation
Verneda F. Robinson Parkville, Missouri	Chief Human Relations Officer Swope Parkway Health Center
Donald Hatton, MD Lawrence, Kansas	Physician Reed Medical Group
Leslie E. Becker, Jr., MD Kansas City, Kansas	Retired Physician
David K. Ross, MD Arkansas City, Kansas	Medical Practitioner Arkansas City Clinic
Ellis W. Presson Shawnee Mission, Kansas	Senior Vice President Swope Parkway Health Center
Kant Doshi Overland Park, Kansas	President Doshi & Associates

The board of directors elects a Chairman, Secretary, Treasurer and other officers as deemed necessary. The senior officers of the board of directors elected and serving as of December 31, 2003, were as follows:

E. Frank Ellis	Chairman
William Washington	Vice Chairman
Verneda F. Robinson	Secretary
David K. Ross	Treasurer

Senior management employed to manage the day-to-day operations of FirstGuard as of December 31, 2003 were as follows:

Joy Wheeler	President
Naimish Patel	Chief Financial Officer
William Pankey, MD	Chief Medical Officer
Jean Rumbaugh	Chief Operations Officer
Dennis Kasselman	Chief of Market Affairs

Kant Doshi	Senior Vice President
Barbara Maloney	Vice President – Administration
Donald Gerdts, Jr.	Vice President – Information Systems

The Company's Bylaws specify that the Company shall have a Medical Advisory Committee, Credentialing Committee, Utilization Management Committee and Provider/Member Relations Committee. In addition, the board of directors may appoint special advisory committees as needed. The only Committees in operation as of December 31, 2003 were a Provider/Member Relations Committee, a Finance Committee and a Quality Management Committee which performs the functions of the other committees required by the Bylaws.

Conflict of Interest

The Company has procedures that require all officers and directors to complete a conflict of interest statement each year. Signed conflict of interest statements were reviewed for the examination period, and no significant conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. The Articles of Incorporation were amended effective March 14, 2001, to assign a par value of one dollar per share to the Company's non-voting "Class B Stock".

Amendments to both the Articles of Incorporation and the Bylaws were also approved by the board of directors at their December 5, 2002 meeting. These amendments related to a holding system reorganization and did not become effective until September 23, 2004.

The amendments to the Articles of Incorporation and Bylaws were not filed with the MDI as required by 20 CSR 400-7.020 (Changes to Documents) which requires a HMO to file amendments to its Articles of Incorporation or Bylaws with the MDI prior to the change. The Company should file the amendments with the MDI and ensure that it timely files any future amendments to either its Articles of Incorporation or Bylaws.

The minutes of the Company's Board of Directors meetings were also reviewed and, in general, appear to properly reflect and approve the corporate transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

In December 2002, the Company made a determination to withdraw from its commercial business, which included its point-of-service product, and focus on its primary business of Medicaid managed care. The commercial business represented approximately 26 percent of direct premiums collected in 2002 and approximately 17 percent of the Company's members as of December 31, 2002. Under the withdraw plan, commercial policies were non-renewed, and as of December 31, 2003, the Company had no commercial members.

A reorganization of the Company's holding company structure was initiated in late 2002. Under the reorganization plan, the Company's parent, Swope Parkway Health Center, was to be renamed Swope Health Services, and two new entities, Swope Community Enterprises (SCE) and Swope Community Enterprise Services (SCES), were to be formed. The ownership of FirstGuard was to be transferred to SCE, which would be the ultimate parent within the holding company system. Due to delays in obtaining Internal Revenue Service approval, the reorganization plan was not finalized until 2004.

Effective September 23, 2004, all shares of FirstGuard stock outstanding were transferred from Swope Parkway Health Center to SCE.

On September 28, 2004, Swope Community Enterprises announced it had signed a definitive agreement to sell FirstGuard Health Plan, Inc., FirstGuard Inc. and FirstGuard Health Plan Kansas, Inc. to Centene Corporation (Centene) of St. Louis, Missouri for approximately $93 million in cash. Centene is a for-profit corporation traded on the New York Stock Exchange which provides Medicaid managed care programs in Indiana, New Jersey, Ohio, Texas and Wisconsin. On October 13, 2004, Centene filed a Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (Form A) with the MDI requesting approval of the proposed sale. As of the date of this report, the Form A filing was still being reviewed by the MDI.

Surplus Debentures

FirstGuard was given approval by the MDI to issue a surplus note to Swope Parkway Health Center on April 25, 1996, for a principal sum of $1,500,000. Interest accrues on the note at the prime rate plus 1% as reported in the Wall Street Journal as of the date FirstGuard received the loan. The interest rate is adjusted each successive year on the anniversary date. The balance in this account, including accrued interest was $2,459,437 at December 31, 2003. In accordance with the provisions of 20 CSR 200-1.070 (Subordinated Indebtedness), the Company is prohibited from making any repayment for principal or accrued interest without the approval of the Director of the Missouri Department of Insurance.

AFFILIATED COMPANIES

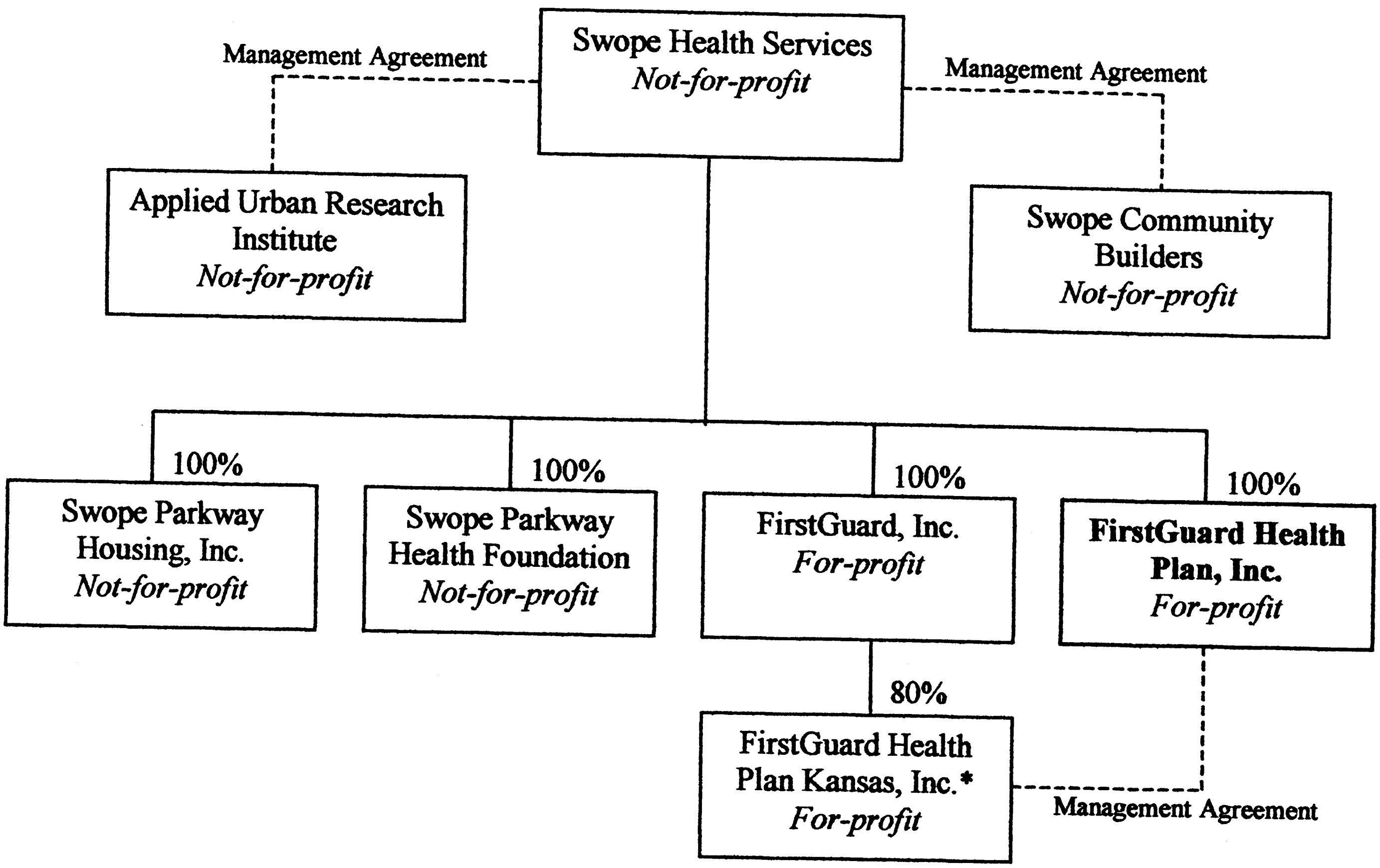
Holding Company, Subsidiaries and Affiliates

FirstGuard is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). Insurance Holding Company System Registration Statements were filed by FirstGuard on behalf of itself with the MDI for each of the years under examination.

FirstGuard operates as a for-profit HMO and as of the examination date was wholly owned by Model Cities Health Corporation of Kansas City d/b/a Swope Parkway Health Center, Inc. SPHC is a comprehensive ambulatory health and mental health care facility which serves the medically indigent population of Kansas City, Missouri and the homeless population of Greater Kansas City by providing services in pediatric, adult and Ob/Gyn medicine, dental health, mental health, optometry and medically related community outreach social services. SPHC is a not-for-profit corporation and has no shares issued or outstanding.

Organizational Chart

The following organizational chart depicts the holding company structure including FirstGuard as of December 31, 2003:



* The remaining 20% is owned by Heartland Physicians Health Network, Inc.

Intercompany Transactions

FirstGuard had the following agreements with its parent and affiliates as of December 31, 2003:

1. Type: Administrative Services Agreement

   Parties: FirstGuard and SPHC

   Effective: May 1, 1997, Revised March 1, 2001, Amended April 23, 2001 and September 12, 2002

   Terms: This agreement covers very specific functions which SPHC performs for FirstGuard for specific compensation arrangements. The functions and compensation arrangements per the Second Amendment to the agreement were as follows:

Human Resources

SPHC shall provide the following services to FirstGuard: policy development, organizational development, personnel administration, benefit administration, human resources information systems, recruitment, employee relations, management development, training, safety, and succession planning. SPHC shall bill FirstGuard 45% of the Human Resources Department's expenses for the prior month by the 15th day of each month.

Administrative Services Manager

The agreement stipulates that the person occupying this position should devote 50% of his/her time to the activities of FirstGuard. The person also shall serve as the Assistant Secretary to the Company's Board of Directors, etc. SPHC shall bill FirstGuard 50% of the salary and employment benefits of the person occupying this position.

Financial Affairs

SPHC shall provide oversight of the following financial functions to FirstGuard: corporate finance, banking and investment, operations analysis, financial and other review, audit services, coordination of affiliates financial functions, risk management, contract negotiations, corporate budgeting and reporting, business planning, and business analysis. SPHC shall bill FirstGuard 47% of the Financial Affairs Department's expenses for the prior month by the 15th day of each month.

Credentialing

The agreement provides for the Company's Credentialing Coordinator to devote about 10% of her time to credentialing health care professionals for SPHC. SPHC shall reimburse FirstGuard 10% of the salary and fringe benefits paid to the Coordinator by FirstGuard.

Advertising

Part of the agreement includes a provision that allows for FirstGuard logos to be displayed on Health Center vans for a fee. The fee is set at five hundred dollars ($500.00) per month.

Planning, Business Development and Government Affairs

SPHC shall provide the following services to FirstGuard: government and regulatory relations, community/client relations, customer education, media and public relations, market research and trend analysis, strategic planning, contract coordination and negotiation, internal/external communication, new business/product development, coordination of legal services, system integration, and inter-affiliate initiatives. SPHC shall bill FirstGuard 47% of the Planning, Business

Development and Government Affairs Department's expenses for the prior month by the 15th day of each month.

Exception: It was noted FirstGuard was reimbursing SPHC for various individual charges SPHC incurred relating to FirstGuard. These charges included the costs associated with new employee recruitment such as drug tests, advertising, and background checks and in addition, the costs of some outside consultants. The Administrative Services Agreement does not indicate that these charges should be reimbursed on an individual basis, and it appears they would be factored in the determination of the percentage of department expenses which FirstGuard pays to SPHC. The Company should ensure that it complies with the terms of the Administrative Services Agreements and ensure that any future agreements are clear and concise as to how charges are to be reimbursed and/or allocated.

2. Type: Intercompany Management Services Agreement

Parties: FirstGuard and FirstGuard Health Plan Kansas, Inc. (FGK), an affiliate

Effective: May 1, 1999, Revised January 1, 2001

Terms: FirstGuard is engaged by FGK to provide certain management services to FGK. The services to be provided are as follows: general and administrative services, patient care management, finance, provider network operations, marketing and sales, record keeping, claims processing, etc. For the services provided, FGK shall pay FirstGuard an amount determined by multiplying the number of FGK Medicaid members eligible for benefits each month times a service fee. The service fee for calendar year 2001 was set at $10.05.

Exception: The service fee provisions of the agreement state that 30 days prior to the annual renewal of the agreement, FirstGuard and FGK will agree to a service fee for the next year, and the agreed service fee calculation shall be attached as and shall replace the then current fee schedule. The Company indicated that its Finance Committee had determined that rate changes were not necessary for 2002 or 2003. However, this determination was not documented. New fee schedules were not prepared for either 2002 or 2003, and FirstGuard continued to charge FGK the $10.05 rate established in 2001. The Company should ensure that it complies with the provisions of the agreement by updating the service fee schedule annually.

3. Type: Office Lease Agreement

Parties: FirstGuard and Midtown Community Development Corp. d/b/a Community Builders of Kansas City (CBKC).

Effective: January 1, 2002

Terms: FirstGuard leases approximately 27,523 square feet from CBKC. For years one through five, FirstGuard is to pay a base rent of $15 per square foot and a supplemental base rent of $5.25 per square foot. An additional rent to cover utilities and expenses related to common areas of the building shall be based on the percentage of total office space occupied by FirstGuard. For years six through ten, the base rate will be adjusted based on the consumer price index at year six, not to exceed ten percent of the base rate.

4. Type: Physicians Services Agreement

Parties: FirstGuard and SPHC

Effective: December 23, 1996, Amended January 1, 1998, January 1, 1999, and January 1, 2002

Terms: SPHC provides medically necessary health and transportation services to members of FirstGuard. The agreement also contains a risk-sharing clause. FirstGuard shall pay SPHC a monthly capitation rate adjusted for age, sex and benefit category for each member who has been selected or assigned to SPHC or a SPHC provider. The risk-sharing clause stipulates that, SPHC shall share in the risks and rewards incurred by FirstGuard based on the outcome of the risk management of underlying policies. Each year, FirstGuard shall determine a risk sharing balance. If the risk sharing balance is greater than zero, FirstGuard shall pay SPHC 35% of the balance. If the risk sharing balance is less than zero, SPHC shall pay FirstGuard 35% of the balance. However, the risk sharing amounts paid by either party shall not exceed $500,000.

5. Type: Systems Agreement

Parties: FirstGuard, SPHC, Applied Urban Research Institute, CBKC, FirstGuard, Inc., and two new entities which were to be created as part of the holding reorganization, Swope Community Enterprises (SCE) and Swope Community Enterprises Services (SCES)

Effective: Agreement was originally entered into on January 1, 2003, and was to take effect upon the "Reorganization Effective Date" which was to be

within ten days following the date upon which necessary third party and governmental approvals and consents of the proposed reorganization were obtained. Revised agreements were entered into on June 11, 2004 and August 23, 2004.

Terms: Swope Community Enterprises was to design a system strategic plan and coordinate the activities of its subsidiaries. Originally, each of the subsidiaries was to pay SCE a flat annual fee of $10,000; however, under the final version of the agreement, for-profit subsidiaries, including FirstGuard, were exempted from the fee. The agreement provided that under the reorganization, operational services would be provided by SCES pursuant to a specific agreement entered into individually between each subsidiary and SCES as of the Reorganization Effective Date. However, FirstGuard would only enter into such agreement subsequent to the Reorganization Effective Date and upon regulatory approval. Due to the delays in obtaining approval from the Internal Revenue Service and the pending sale of the FirstGuard to a third party, FirstGuard never entered into an individual agreement with SCES.

6. Type: Lease Agreement

Parties: FirstGuard and SPHC

Effective: May 1, 1997, Amended May 1, 1998

Terms: Originally, SPHC leased office space to FirstGuard totaling approximately 9,129 square feet. FirstGuard was to pay varying rental rates per square foot depending on the type and location of the space rented. Effective January 1, 2002, with the Company's new lease agreement with CBKC, FirstGuard vacated all of the office space leased under this agreement except for 295 square feet occupied by its Chairman. Subsequently, FirstGuard reduced its rental payments to SPHC to $4,270 per year, which equaled the 295 square feet multiplied by its rental rate of $16.

Exception: The Company indicated to the MDI that it considered the lease agreement with SPHC to be terminated as of the effective date of the new lease with CBKC. Therefore, the Company should have entered into a new lease agreement with SPHC for the rental of the space occupied by the Chairman. The Company should ensure that lease arrangements are properly documented and lease agreements are filed with the MDI when required.

The amounts (paid) to and received from parent and affiliates during the period under examination were as follows:

	2003	2002	2001
Administrative Services Agreement:			
Paid to SPHC	$(1,040,678)	$(833,360)	$(165,557)
Management Services Agreement:			
Received from FirstGuard Kansas	11,100,548	10,336,263	7,586,203
Office Lease Agreement:			
Paid to CBKC	(716,736)	(586,242)	-0-
Physicians Services Agreement:			
Paid to SPHC	(2,115,521)	(1,893,653)	(2,364,021)
Systems Agreement:			
Paid to SPHC	-0-	-0-	-0-
Lease Agreement:			
Paid to SPHC	(4,720)	(39,609)	(132,253)
Net Amount (Paid) or Received	**$7,222,893**	**$6,983,399**	**$4,924,372**

FIDELITY BOND AND OTHER INSURANCE

FirstGuard is a named insured on fidelity bond coverage purchased by its parent, Swope Parkway Health Center, with a liability limit of $1,000,000 and a $10,000 deductible. The fidelity coverage provided by the policy complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines and with Section 354.425 RSMo (Surety bond requirements).

The Company is also a named insured along with SPHC and other affiliates on various other standard insurance policies. These additional policies include but are not limited to the following:

Directors & Officers Liability
Errors and Omissions
Auto Liability
Performance Bond
General Liability
Professional Liability
Workers Compensation

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

FirstGuard employees are provided benefits that are coordinated and paid for by the Company. Benefits available to the employees include, but are not limited to, medical and dental insurance, term life insurance, short and long-term disability and a Section 125 Plan. The Section 125 Plan allows for contributions toward dependent care expenses, out-of-pocket medical expenses, etc.

The Company offers a profit-sharing pension plan, funded entirely by employer contributions. Under the plan, FirstGuard may make discretionary contributions based on an employee's salary; however, the contribution for the last ten years has been 4 percent. The Company also sponsors a 401(k) savings plan. Under the plan, the Company matches 50% of an employee's contributions up to 3 percent of the employee's salary.

For 2003, 2002, and 2001, the Company expensed $168,271, $258,841 and $190,815 respectively, for the pension plan. For the same years, FirstGuard contributed $101,815, $90,869 and $57,034 to the 401(k) plan.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2003, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 354.410 RSMo (Issuance of certificate; trust deposits and capital requirements). The Company's required deposit for Missouri was $900,000. The funds on deposit as of December 31, 2003, were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Bills	$1,060,000	$1,057,556	$1,057,579

Deposits with Other States

FirstGuard does not have funds on deposit with any other state.

INSURANCE PRODUCTS AND RELATED PRACTICES

General

FirstGuard is licensed in the State of Missouri under Chapter 354 RSMo, as it relates to Health Maintenance Organizations. The Company's service territory is concentrated in nine counties in western Missouri.

The Company's primary business has been Medicaid managed care services. The Company has applied for and been awarded contracts by the State of Missouri Division of Medical Services (DMS) to provide managed care services to Medicaid (MC+) recipients in Missouri. The latest contract awarded to the Company was for a one-year term starting January 1, 2004, with two additional one-year renewal periods at the sole option of DMS. The Company had 42,558 members as of December 31, 2003, enrolled through the Missouri MC+ Program.

The Company has also underwritten commercial health care business and was permitted to offer point of service riders (POS) on its commercial products in the State of Missouri. As discussed in the Acquisitions, Mergers and Major Corporate Events section of this report, the Company withdrew from its commercial business during 2002 through 2003, and as of the examination date, the Company no longer had any commercial members.

The Company is also licensed in the State of Kansas. However, as a result of its withdrawal from the commercial business, as of the examination date, the Company had no Kansas members.

The Missouri Department of Insurance has a market conduct staff which performs a review of various market conduct issues and generates a separate market conduct report. The last Market Conduct Examination [Report #0210-03-HMO] dated June 13, 2002, reviewed the period January 1, 2001 to December 31, 2001. A cursory review of the report indicated the Company was fined by the MDI for various violations of Missouri insurance laws and regulations. The violations and resulting fines appear to have had an immaterial impact on the financial condition of the Company.

Marketing

The Company obtains members one of two ways, either a Medicaid eligible individual will select FirstGuard over its competitors, or members will be automatically assigned to FirstGuard by DMS. The Company's marketing activity involves the use of newspapers, radio and billboards to disseminate information about the MC+ Program and the Company as a provider. The Company also participates in community event programs through which it distributes pamphlets that describe the various medical services offered by the Company. In addition, the Company publishes a quarterly newsletter which serves to educate the public on basic practices for good health and provides information about becoming a FirstGuard member.

The Company utilizes an outside advertising and marketing firm in developing its billboard and newspaper advertising materials. The Company has also contracted with a local public relations firm whose responsibility is to help FirstGuard in developing

news releases, working with community groups on publicity, and creating a positive image of the Company with area media outlets on health care issues, etc.

Advertisements and marketing information is properly approved by an official of the Missouri Department of Social Services for advertising materials regarding the Medicaid program.

Provider Contracts

The Company has provider agreements in place with physician and hospital providers, which include individual physicians, group practice, and primary care clinics. The terms and provisions of these agreements are essentially the same. Provider agreements become effective on the acceptance date and continue from year to year until terminated in accordance with the terms contained in the agreements. Either party, upon sixty days prior written notice, may terminate the agreement.

FirstGuard subcontracts through individual provider agreements for various other health services including behavioral health, vision care, dental health and for ancillary services such as ambulatory services, durable medical equipment, radiology, laboratory and urgent care services.

Rates

Premium rates on the Medicaid program throughout the examination period were established through a bid and negotiation process with the State of Missouri, which were subject to maximum levels as determined by the DMS. Beginning with the January 1, 2004 contract, premium rates are subject to actuarial soundness testing per guidance provided by DMS and are no longer subject to maximum levels. Members are separated

into age and sex based categories with varying premium amounts for each category. The Company receives a supplemental, lump-sum premium for each live delivery to a member. All premiums due to FirstGuard are paid entirely by the State of Missouri on behalf of the members.

Grievance Procedures

The Company has grievance procedures in place for both members and providers. Procedures on how to initiate and where to file grievances are properly noted in the Company's certificate of coverage and in member handbooks, which are provided to members upon registration. Members have the option of submitting complaints either to FirstGuard, DMS or both.

Quality Assurance, Utilization Review and Provider Credentialing

The Company has procedures in place for each of these areas. The Company is aware of the National Committee for Quality Assurance (NCQA) accreditation program. However, since neither Missouri nor Kansas require this accreditation, the Company does not plan to seek accreditation at this time.

The Company has established committees covering quality assurance, utilization review and provider credentialing. These committees meet at least quarterly, and are chaired by the Chief Medical Officer.

The Company has established policies and procedures for the credentialing and recredentialing of providers. Recredentialing reviews are scheduled for every three years. Providers must be approved by the Quality Management Committee and board of directors in order to participate in the FirstGuard network.

REINSURANCE

General

The Company's reinsurance and premium activity during the period under examination were as follows:

Premiums:	2003	2002	2001
Direct Business	$87,738,264	$99,323,139	$70,381,240
Reinsurance Assumed	-0-	-0-	-0-
Reinsurance Ceded	(1,099,224)	(1,905,660)	(1,473,513)
Net Premiums Written	$86,639,040	$97,417,479	$68,907,727

Assumed

The Company does not assume any business.

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

The Company entered into a HMO Excess of Loss Reinsurance Agreement with Employers Reinsurance Corporation (ERC) effective from January 1, 2003 to December 31, 2003. The agreement covers commercial HMO, point-of-service and Medicaid members. Pursuant to the terms of the agreement, ERC will indemnify FirstGuard for 90% of losses in excess of a retention of $225,000. ERC's maximum liability shall be limited to $2,000,000 per covered member per agreement year, and to $2,000,000 per member per lifetime. There is also an average daily loss limit of $3,000 for inpatient hospital services and specific loss limits for transplant services.

The agreement with ERC was renewed for calendar year 2004 with some modest increases in the daily liability limits and premiums.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements for the years ending December 31, 2003, and December 31, 2002, were audited by the CPA firm of PricewaterhouseCoopers, LLC, (PwC) of St. Louis, Missouri. The Company's financial statements for the year ended December 2001, were audited by the Kansas City, Missouri office of PwC.

Independent Actuary

The claims payable reserves as of December 31, 2003, and as of December 31, 2002, were reviewed and certified by Thomas Handley, FSA, MAAA. The claims payable reserves as of December 31, 2001, were reviewed and certified by Glenn A. Giese, ASA, MAAA, consulting actuary with MMC Enterprise Risk Consulting, Inc.

Custodial Agreements

During our review of the Company's investment accounts, it was noted that the Company's custodial agreements with Central Bank and UMB Bank NA did not meet all of the requirements as set forth in Part 1, Section IV (J) of the NAIC Financial Examiners Handbook. In addition, neither of these agreements were disclosed in General Interrogatory 23.03 for custodial agreements not in compliance with NAIC requirements. The Company should amend or restate the custodial agreements to be in compliance with the NAIC requirements. The Company should also ensure that it completes General

Interrogatory 23.02 for custodial agreements not in compliance with NAIC requirements until the agreements are amended or restated.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2003. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements". (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been additional differences found in the course of this examination that are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

Assets
as of December 31, 2003

	Assets	Non Admitted Assets	Net Admitted Assets
Bonds	$15,554,708		$15,554,708
Cash and short-term investments	6,419,333		6,419,333
Investment income receivables	84,471		84,471
Uncollected premiums and agent's balances	7,069,808		7,069,808
Amounts recoverable from reinsurers	232,650		232,650
Net deferred tax asset	416,961		416,961
EDP equipment and software	303,067	$134,181	168,886
Receivables from parent, subsidiaries, and affiliates	1,247,985		1,247,985
Furniture and equipment	20,343	10,171	10,172
Total Assets	**$31,349,326**	**$144,352**	**$31,204,974**

Liabilities, Capital and Surplus
as of December 31, 2003

Claims unpaid	$ 9,378,870
Accrued medical incentive pool and bonus amounts	500,000
Unpaid claims adjustment expenses	388,613
General expenses due and accrued	2,848,843
Current federal income tax payable	1,051,161
Net deferred tax liability	25,400
Amounts due to parent, subsidiaries and affiliates	151,050
Aggregate write-ins for other liabilities:	
Unearned ESI Fees	341,137
Total Liabilities	**$14,685,074**
Common capital stock	3,600,000
Surplus notes	2,459,437
Unassigned funds	10,460,464
Total Capital and Surplus	**$16,519,901**
Total Liabilities and Surplus	**$31,204,975**

Statement of Revenue and Expenses
For the Year Ended December 31, 2003

Member Months	**528,682**
Net premium income	$ 86,639,040
Aggregate write-ins for other health related revenues:	
Management services	11,136,927
Total Revenues	**$ 97,775,967**
Medical and Hospital:	
Hospital/medical benefits	$ 49,186,660
Outside referrals	786,232
Emergency room and out-of-area	8,507,240
Prescription drugs	12,286,346
Incentive pool, withhold adjustments and bonus amounts	500,000
Less: Net reinsurance recoveries	(2,026,141)
Total medical and hospital expense	**$ 69,240,337**
Claims adjustment expense	1,425,405
General administrative expenses	15,647,175
Premium deficiency reserve adjustment	(1,262,000)
Total Underwriting Deductions	**85,050,917**
Net Underwriting Gain or (Loss)	**12,725,050**
Net investment gains or (losses)	150,956
Aggregate write-ins for other income or expenses:	
Other income	271,795
Federal income taxes incurred	(4,023,350)
Net Income (Loss)	**$ 9,124,452**

Capital and Surplus Account

Surplus as Regards to Policyholders, December 31, 2002	$ 7,728,381
Net Income or (Loss)	9,124,452
Change in deferred income tax	(364,233)
Change in non-admitted assets	31,301
Change in surplus notes	80,625
Aggregate write-ins for gains or (losses) in surplus:	
Interest on surplus notes	(80,625)
Surplus as Regards to Policyholders, December 31, 2003	**$ 16,519,901**

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Corporate Records (Page 6)

The Company did not file amendments made to its Articles of Incorporation effective March 14, 2001, and amendments made to its Articles of Incorporation and Bylaws approved December 5, 2002, with the MDI as required by 20 CSR 400-7.020. The Company should file the amendments with the MDI and ensure that it files any future amendments as required.

Intercompany Transactions (Page 10)

The Company is reimbursing SPHC for various individual charges contrary to the terms of the Administrative Services Agreement. The Company should ensure that it complies with the terms of the Administrative Services Agreement and ensure that any future agreements are clear and concise as to how charges are to be reimbursed and/or allocated.

The per member service fee charged to FGK per the Intercompany Management Services Agreement was not revised for either 2002 or 2003 as required by the agreement. The Company should ensure that it complies with the provisions of the agreement by adjusting the service fee amount annually.

The Company continued to make rental payments to SPHC for space occupied by the Company's Chairman after the lease agreement with SPHC was considered terminated. The Company should ensure that lease arrangements are properly documented and filed with the MDI when required.

Custodial Agreements (page 22)

The Company's custodial agreements with Central Bank and UMB Bank NA do not meet all of the requirements as set forth in Part 1, Section IV (J) of the NAIC Financial Examiners Handbook. The Company should amend or restate the custodial agreements so that they are in compliance with NAIC requirements. The Company should also ensure that it completes General Interrogatory 23.02 for custodial agreements not in compliance with NAIC requirements until the agreements are amended or restated.

SUBSEQUENT EVENTS

As part of a reorganization of the holding company system, effective September 23, 2004, all shares of FirstGuard stock outstanding were transferred from Swope Parkway Health Center to Swope Community Enterprises (SCE). On September 28, 2004, SCE announced it had signed a definitive agreement to sell FirstGuard and other subsidiaries to Centene Corporation, an unrelated for-profit corporation which provides Medicaid managed care programs in various states. The reorganization and pending sale to Centene were discussed in further detail in the Acquisitions, Mergers and Major Corporate Events section of this report.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of FirstGuard Health Plan, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Barbara Bartlett, CPA and Andy Balas, CFE examiners for the Missouri Department of Insurance participated in this examination. The actuarial firm of Milliman, USA, Inc., of St. Louis, Missouri, also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Mark A. Nance, CPA, CFE on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the HMO, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Mark A. Nance, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance

Sworn to and subscribed before me this 29th day of November 2004.

My commission expires: Oct. 7, 2005 Rayna S. Rice
Notary Public

RAYNA S. RICE
Notary Public - State of Missouri
County of Cole
My Commission Expires Oct. 7, 2005

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Frederick G. Heese, CFE, CPA
Audit Manager
Missouri Department of Insurance

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January 3, 2005

Kirk Schmidt, CFE, CPA
Chief Financial Examiner
Missouri Department of Insurance
P.O.Box 690
Jefferson City, MO 65102-0690

Dear Mr. Schmidt

This is in response to your letter dated December 6, 2004 with regards to the Examination Report.

Following responses are related to the General Comments and/or Recommendation section of the report. We do wish to include the response in the report as a public document.

- Corporate Records
  In future the Company will file any amendments to the Articles of Incorporation and to the Bylaws with the Department.

- Intercompany Transactions
  Since a transaction with Centene Corporation has closed, the Administrative Services Agreement with Swope Parkway Health Center has been terminated.
  Since a transaction with Centene Corporation has closed, the Management Services Agreement with FirstGuard Kansas has been terminated.
  The Company has filed a new Management Agreement with Centene Management Corporation for approval by the Department. The Company will comply with the terms of this new agreement.
  The Company currently does not make any rent payment to Swope Parkway Health Center and the lease agreement has been terminated.

- Custodial Agreement
  The Company will amend or restate the custodial agreement with Central Bank and UMB in near future and will appropriately complete General Interrogatory 23.02 as needed.

- Subsequent Event
  Please correct the date at the bottom of page 27, under subsequent events, 2nd sentence to September 28, 2004.
  Please note that on December 7th, 2004, Centene Corporation announced that it has closed a transaction with Swope Community Enterprises which included the sale of the Company as part of the overall transaction.

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Please let me know if you have any questions. I can be reached at 816-922-7231. As always we appreciate the Department's comments.

Sincerely,

Naimish Patel

Naimish Patel
V.P. Finance

CC: Joy Wheeler
Mark Sanders
Bob Kulphongpatana